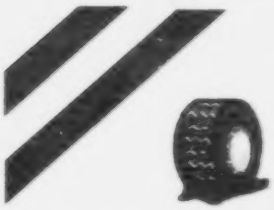

Manitoba Tire Stewardship Board

April 1, 2004 – March 31, 2005

Annual Report

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TABLE OF CONTENTS

INTRODUCTION 1

INTRODUCTION 2

GOALS 3

OBJECTIFS 4

PROGRESS IN 2004/05 5

- ACCOUNTABILITY 5
- PROMOTION 6
- PROVINCIAL HARMONIZATION 6
- RESEARCH 7
- ACCOMPLISHMENTS 7
- INDUSTRY STATUS 9

BOARD MEMBERS 12

THE FUTURE 13

FINANCIAL STATEMENTS – MARCH 31, 2005 ..... 15 - 23

Introduction

Manitobans discard approximately one million scrap tires a year. In previous years, these ended up in municipal waste disposal grounds where they were eventually buried or sometimes burned. In 1992, the Manitoba Government instituted a $3 levy on all tires sold in Manitoba for use on licensed vehicles or trailers. In April 1995, the Tire Stewardship Board was established as an arm's length from government statutory corporation to work with stakeholders to develop solutions to scrap tire management problems in Manitoba. The program is funded by tire consumers through the retail industry. Revenues are held in a dedicated fund, managed by the Tire Stewardship Board. Solutions are delivered by the industry with funding paid on proof-of-sale of approved recycled products.

On March 31, 2000, the government of Manitoba removed and retained the P.S.T. portion of the tire levy and the Board now receives $2.80 on all tires sold in Manitoba for use on licensed vehicles or trailers.

Scrap tires in waste disposal grounds take up large amounts of space and pose a significant health and fire hazard. Finding alternative uses for scrap tires solves these problems and contributes to a reduction of the waste stream. New uses of scrap tires also contribute significantly to the economy of Manitoba.

The Waste Reduction and Prevention Act and the Tire Stewardship Regulation 33/95 provide the authority to make scrap tires a designated material and allows the Board to collect a tire levy on the sale of new tires and establish a fund and management program managed by the Board.

The Board does not regulate the ownership, control, or use of scrap tires outside the Program nor does it guarantee a supply of tires to recyclers or encroach on the waste management responsibilities of municipal authorities.

Introduction

Chaque année, les Manitobains jettent environ un million de pneus de rebut. Au cours des années précédentes, ces pneus finissaient dans des décharges municipales, où ils étaient par la suite enfouis ou parfois brûlés. En 1992, le gouvernement du Manitoba a imposé une taxe de 3 $ sur tous les pneus neufs vendus au Manitoba pour les véhicules ou remorques immatriculés. En avril 1995, la Commission de gestion des pneus a été établie comme société indépendante du gouvernement. Elle a pour but de travailler avec les parties intéressées afin de trouver des solutions au problème de la gestion des pneus de rebut au Manitoba. Le programme est financé par les consommateurs par l'entremise des détaillants de pneus. Les revenus sont placés dans un fonds spécial géré par la Commission de gestion des pneus. Les solutions sont fournies par l'industrie qui bénéficie d'un financement après coup, en fonction du nombre de produits recyclés approuvés qui ont été vendus.

Le 31 mars 2001, le gouvernement du Manitoba a enlevé et retenu le montant de la taxe de vente provinciale du montant du droit à payer sur les pneus et le *Board* reçoit désormais 2,80 $ pour chaque pneu vendu au Manitoba, pour les véhicules et remorques qui sont immatriculés.

Les pneus de rebut dans les décharges prennent beaucoup de place et présentent un danger considérable pour la santé ainsi qu'un risque important d'incendie. La recherche d'autres utilisations pour les pneus de rebut permet de résoudre ces problèmes et de contribuer à la réduction du flux des déchets. L'économie du Manitoba bénéficie beaucoup des nouvelles utilisations des pneus de rebut.

En vertu de la *Loi sur la réduction du volume et de la production des déchets* et conformément au *Règlement sur la gestion des pneus* (RM 33/95), le Manitoba est autorisé à conférer le titre de « matériau désigné » aux pneus de rebut et la Commission de gestion des pneus a le droit de prélever une taxe sur la vente des pneus neufs et d'établir et de gérer un fonds et un programme de gestion.

La Commission ne réglemente pas la possession, le contrôle ou l'utilisation des pneus de rebut en dehors du programme, ni ne garantit un approvisionnement de pneus aux recycleurs, ni n'empiète sur les responsabilités des administrations municipales en matière de gestion de déchets.

Goals

The basic goals of the Board for 2004/2005 were through a financial incentive to the industry to:

1. Divert the flow of scrap tires to registered processors to recycle this waste into products for resale. This goal continues to be achieved and in this year, the number of passenger tire equivalents (PTE's) of scrap tires recycled was 1,390,886 PTE's or 13,908 tons that did not enter landfills.

2. Continue to keep up communications with stakeholders and the public on this program through a communications program. This is an ongoing effort.

3 Maintain support for recycling industries, which both maximize environmental benefit and assist the economy of Manitoba.

Objectifs

En 2004/2005, les principaux objectifs de la Commission étaient d'offrir des mesures incitatives à l'industrie pour que:

1. le flux de pneus de rebut soit dirigé vers des entreprises de recyclage enregistrées afin qu'ils soient recyclés en produits de revente. On continue à atteindre cet objectif et cette année, le nombre de pneus de rebut recyclés correspondait à 1,390,886 pneus equivalents ou 13,908 tons;

2. l'industrie continue à s'entretenir avec les parties intéressées et le public grâce à un programme de communication (initiative qui est toujours en cours);

3. l'industrie continue à appuyer les entreprises de recyclage qui utilisent des processus qui sont non seulement bénéfiques pour l'environnement, mais aussi pour l'économie du Manitoba.

Progress in 2004/05

The Tire Stewardship Board works co-operatively with tire wholesalers and retailers, auto dealers, municipalities and local governments, regional waste management authorities, processors, collectors, recycling organizations, and the public.

The Board has worked with retailers, distributors and the Board's contracted levy collector to ensure that all levies are being properly collected. This is an on-going task that also identifies which retailers should be audited for non-compliance.

The following areas were addressed by the Board during the past year:

Accountability

- Continued to investigate non-levy remittance from monthly lists and had 29 audits/investigations of retailers carried out as part of the Board's financial contract. These audits returned $17,360.94 to the Board.
- Held three Board of Directors' meetings, and attended the annual meeting of the Canadian Association of Tire Recycling Agencies (CATRA).
- Had an independent audit done on the Corporation.
- Had audits carried out on RTR, TRC and Phoenix Industries.
- Made a presentation on the three-year business plan at Department of Conservation's public workshop.
- Prepared an annual report and distributed it.
- Carried out a survey of tire dealers regarding new levies.
- Had an OTR cleanup done using reserve funds.
- The Board met with the Minister to review the program.

Promotion

- Prepared a short annual report for presentation at the Western Canada Tire Dealers annual meeting.
- Wrote articles on tire recycling which were published in a number of issues of the American *Scrap Tire News*.
- Prepared a draft brochure on the *Life of a Tire*.
- Replaced playground crumb at Stars of Promise playground.
- Carried out inspections of northern landfills.
- Produced a PowerPoint presentation on OTR's.
- Attended Rubber Association of Canada and Canadian Association of Tire Recycling Agencies (CATRA) conference and meetings in Banff.
- Worked on the production of an OTR document for CATRA.
- The General Manager was interviewed by the *Winnipeg Free Press*, CBC Radio, *The Brandon Sun* and A-Channel TV regarding the program's handling of off-road tire recycling.

Provincial Harmonization

- The Board and General Manager attended the annual CATRA meeting in Banff, Alberta, and also held a committee meeting.
- The General Manager chaired the western CATRA provinces and territory monthly conference calls and participated in the eastern CATRA monthly conference calls.
- Worked with the Department of Conservation in relation to the development of the Board's Three-Year Business Plan 2004–2007 and public input in the plan and made a presentation at the Department of Conservation public workshop.
- Attended a C4 Community Conference in Thompson and gave a presentation.

Research

- Gathered data from retreaders on casing imports and numbers of retreads.

Accomplishments

A total of 1,390,886 passenger tire equivalents (PTE's) were recycled.

Products from Scrap Tires in PTE's (one PTE equals one car tire)

Molded Products	193,945
Shred	543,603
Tire-Derived Fuel	556,894
Mats	72,840
Cut Products	23,604
	1,390,886 PTE's

This represents approximately 13,908 tons of scrap tires diverted from landfills this year and does not include the tonnage of tires diverted to other uses outside the program.

- There were a total of 841,907 car, light truck and medium truck tires sold in Manitoba this year. This is approximately 42,000 more than last year. As a result of a survey, it is estimated that 55,654 off-road, non-levied tires were sold. The composition of scrap tires being generated in Manitoba for a six-year period is presented below.

Tires Sold	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Car	674,405	632,000	667,134	692,275	699,591	731,907
Medium Truck *	91,964	86,221	90,973	94,401	95,399	110,000
Total	766,369	718,221	758,107	786,676	794,990	841,907
Tire Levy **	$2,145,851	$2,011,019	$2,122,699	$2,202,693	$2,225,972	$2,357,341
PTE's Recycled	1,271,800	937,421	646,034	1,082,823	1,475,542	1,390,886

* Medium truck tire sales are based on a 2004 sales survey and are calculated as 12 percent of past known total tire sales.

** The levy is only imposed on passenger, light truck and medium truck tires. Industrial and farm tires are not levied.

- Net levies collected and tire recycling payments made were as follows:

Net Levies Collected	$2,324,639
(Less contract and retailer cost)	
Total Product Credits Paid to Processors	$2,578,611
Total Transportation Payments	80,546
Off-Road Tire Clean Up Project	75,700
Municipal Incentive Payments	95,769
TOTAL	**$2,830,626**

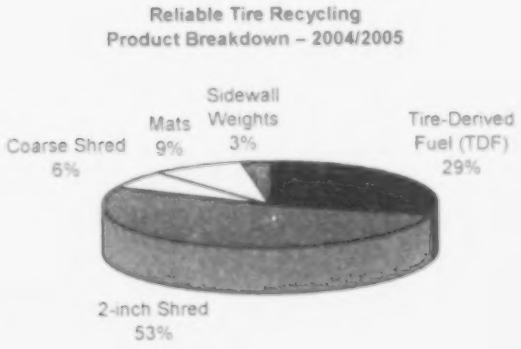
Since the levies were insufficient for the clean up of off-road tires in processors' yards, reserve funds had to be used.

- Program management and program accounting continue to be contracted.

Industry Status

Reliable Tire Recycling was the major recycler during the year. They recycled 819,061 PTE's. The product breakdown expressed in passenger tire equivalents is as follows:

Tire-Derived Fuel (TDF)	238,849
2-inch Shred	433,406
Coarse Shred	50,425
Mats	72,840
Sidewall Weights	23,541
	819,061 PTE's



Of these products, 433,406 PTE's were shredded to two-inch and were used as daily landfill cover.

Mats produced by Reliable Tire Recycling

The majority of mats were sold to the oil industry in Alberta and are used as road cover on the tar sands to support up to 300-ton trucks.

If RTR continues producing tire chip, they will have to find continuous large-scale markets for their product. To date they have been relatively successful. One future outlet may be the Tolko Pulp and Paper Plant at The Pas, Manitoba. The plant is still considering rubber chip as an economic fuel replacement for bunker C oil. The sale of mats to the oil industry looks promising.

Tire Recycling Corporation of North America in Winkler, Manitoba, mat sales over 2004/05 were about the same as 2003/04 at approximately 194,000 PTE's. Since many of their sales are in the USA, sales are affected by the value of the Canadian dollar.

TRC will have to make a concerted marketing effort to capture new markets.

TRC's new plant in Winkler, Manitoba

Phoenix Industries, a company registered in Manitoba, was contracted by the Board as a Collector to service an area of southwestern Manitoba. The Board directed the destination of collected tires for recycling. If either TRC or RTR needed the tires, they would be delivered to their yards. If not, they were shipped south for TDF or geotechnical projects, or to Saskatchewan for crumbing. To date, neither processor has requested these tires. Phoenix collected 309,155 PTE's.

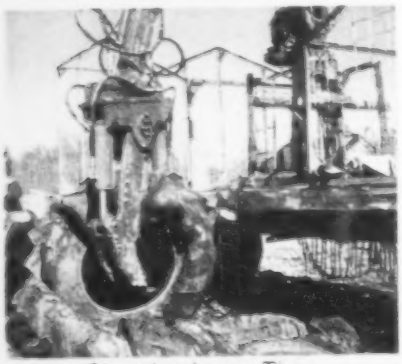
OTR Recycling in Faulkner, Manitoba, continues to manufacture water cisterns and feeders made from large off-road tires. These products are not part of the TSB Program. The Board, however, entered into an agreement with OTR Recycling for a short-term pilot project, which involved developing a collection system for off-road tires which were sheared on site. This increased load weights by 100 percent, thereby reducing transportation costs significantly.

Water Cistern for Cattle Operations

The Shear

Shearing a Tractor Tire

Standard Cherry Picker



Shearing Large Tires

Board Members

Ken Grant / John Clarkson, Chairs
Appointed by the Minister of Conservation

Alice Poyser, Secretary-Treasurer
CAA Manitoba

Brian James, Director
The Rubber Association of Canada

Rocky Kile, Director
Western Canada Tire Dealers

Emma Gorvie, Director
Appointed by the Minister of Conservation

NOTE: Ken Grant passed away in September 2004. John Clarkson was appointed by the government as Chair of the Board in December 2004.

The Future

Over the past eight years, sale of levied tires has fluctuated between 691,000 and 837,000. There does not appear to be an upward or downward trend. Because of the retailer audits over the years, the Board feels that levy capture rates are very high. Audits sometimes have gone back eight years.

In the past, the Board's processors have generally recycled more PTE's than new PTE's sold and levied. This was a function of recycling unlevied off-road tires from industry and agriculture. The Board has used the surplus funds to remove and recycle all the off-road tires that were stored on processors' yards and did a final clean up in September '04. The reserve fund is now depleted.

The Board has been active in promoting the use of scrap tires in geotechnical works and in advertising products made from scrap tires in Manitoba and will continue to do so. Media opportunities for this type of promotion will be continued and expanded where possible.

If sufficient funding is available, the Board plans to continue to meet its goals in the future. Some ways of improving the efficiency of recycling tires in the future and of educating the public are as follows:

- The Board will support limited research that has the potential to contribute to higher efficiencies in the program; to develop new higher-value products.
- The Board will maintain close relationships and encourage northern recycling agencies that work in the area of recycling tires and co-ordination of collecting tires within certain geographic areas.
- The Board will continue to work with entrepreneurs who recycle non-levied OTR's outside the program.

- The Board will continue to work with members of CATRA especially in the area of information exchange, which leads to higher program efficiencies.

The government plans to include the Tire Stewardship Board in its Efficiency Manitoba program, which is currently being developed. For this reason, the Tire Stewardship Board has been told that the government will not increase levies nor will it impose new levies on unlevied tires. The Tire Stewardship Board has been instructed to stay within a budget based on the current $2.80 levy on passenger, light truck, and medium truck tires. The Tire Stewardship Board will submit a new financial plan to the Minister of Conservation based on this direction. This will result in:

- Cessation of the 50¢ per tire paid to Rural Municipalities as of June 1, 2005.
- A reduction in public communication brochures.

The Board will use no-cost media outlets as available to promote products and encourage recycling.

TIRE STEWARDSHIP BOARD

FINANCIAL STATEMENTS

MARCH 31, 2005

K. B. Eisner & Co.

CERTIFIED GENERAL ACCOUNTANTS

*Kenneth B. Eisner, CGA **
*Mary G. Chalmers, CGA **
**Professional Corporations*

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AUDITORS' REPORT

To the Board of Directors of the
Tire Stewardship Board

We have audited the balance sheet of the Tire Stewardship Board as at March 31, 2005 and the statements of net operations (deficit), surplus, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2005 and the results of its operations and the changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

CERTIFIED GENERAL ACCOUNTANTS

Winnipeg, Manitoba
June 21, 2005

TIRE STEWARDSHIP BOARD

BALANCE SHEET

	March 31 2005	2004
ASSETS		
CURRENT		
Petty cash	$ 100	$ 100
Cash	22,769	63,439
Accounts receivable	297,119	290,451
Interest receivable	-	102
Investments (note 4 and note 5)	-	744,154
Prepaid expenses	7,389	5,990
	327,377	1,104,236
CAPITAL		
Furniture and equipment (note 3)	3,465	4,754
	$ 330,842	$ 1,108,990
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 219,862	$ 235,148
Wages payable	-	1,284
	219,862	236,432
EQUITY		
SURPLUS	110,980	872,558
	$ 330,842	$ 1,108,990

APPROVED ON BEHALF OF THE BOARD:

Alice Poyser, Secretary/Treasurer

Rocky Kile, Director

This is the Balance Sheet referred to in the Auditors' report dated June 21, 2005.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF NET OPERATIONS (DEFICIT)

	Year Ended March 31	
	2005	2004
REVENUE		
Tire levy	$ 2,357,341	$ 2,225,972
Interest	9,305	44,902
	2,366,646	2,270,874
DIRECT EXPENSE		
Collection services	30,000	30,000
Levy commissions	2,702	5,189
Payments to processors (note 5)	2,657,434	3,173,952
Payments to municipalities	95,769	88,710
	2,785,905	3,297,851
GROSS MARGIN (LOSS)	(419,259)	(1,026,977)
ADMINISTRATIVE EXPENSES		
Amortization	1,289	1,793
Automotive	6,345	5,516
Audit, legal and tax consulting	24,533	35,645
Board	6,376	11,319
Communications/conferences	1,070	1,170
Contracted services	95,983	88,892
Equipment leasing	1,424	1,117
Goods and services tax	5,579	5,054
Grants	25,000	40,000
Insurance	9,883	9,315
Northern clean-up	-	701
Office	12,466	23,469
Projects (note 6)	76,325	11,855
Rent	11,014	11,019
Salaries and benefits	47,782	47,939
Telephone	4,075	3,621
Travel	13,175	19,551
	342,319	317,976
NET OPERATIONS (DEFICIT)	$ (761,578)	$(1,344,953)

This is the Statement of Net Operations (Deficit) referred to in the Auditors' Report dated June 21, 2005.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF SURPLUS

	Year Ended March 31	
	2005	2004
SURPLUS - Beginning of year	$ 872,558	$ 2,217,511
NET OPERATIONS (DEFICIT)	(761,578)	(1,344,953)
SURPLUS - End of year	$ 110,980	$ 872,558

This is the Statement of Surplus referred to in the Auditors' report dated June 21, 2005.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended March 31	
	2005	2004
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Operations		
Net operations (deficit)	$ (761,578)	$ (1,344,953)
Item not involving cash		
Amortization	1,289	1,793
	(760,289)	(1,343,160)
Changes in non-cash working capital balances	719,619	1,304,055
	(40,670)	(39,105)
INVESTING ACTIVITIES		
Capital assets	-	(3,875)
(DECREASE) IN CASH AND EQUIVALENTS	(40,670)	(42,980)
CASH AND EQUIVALENTS - Beginning of year	63,539	106,519
CASH AND EQUIVALENTS - End of year	$ 22,869	$ 63,539

This is the Statement of Changes in Financial Position referred to in the Auditors' report dated June 21, 2005.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2005

NOTE 1 - AUTHORITY AND PURPOSE

The Tire Stewardship Board operates under the authority of the Waste Reduction and Prevention Act Chapter W40, Statutes of Manitoba, 1990, pursuant to the Tire Stewardship Regulation, Manitoba Regulation 33/95.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis over the estimated useful lives of the assets at the following annual rates.

Furniture and fixtures	20%
Computer equipment and software	30%

NOTE 3 - CAPITAL ASSETS

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Computer equipment	$ 17,309	$ 14,943	$ 2,366	$ 3,380
Furniture and fixtures	7,915	6,816	1,099	1,374
	$ 25,224	$ 21,759	$ 3,465	$ 4,754

NOTE 4 - INVESTMENTS

Investments have consisted of funds held in the trust account of the Province of Manitoba. During the 2004-5 year, all of these investment funds have been used in operations and none remain as at March 31, 2005.

NOTE 5 - PAYMENTS TO PROCESSORS

Payments increased sharply in the 2003-4 year due to instituting a one-time payment for removal of thousands of tractor and off-road tires (not tax levied) which had been stockpiled over several years. Of this increase, the Board agreed to pay the collection cost in the amount of $315,750 and assisted monetarily in the removal of this inventory for recycling. Additional amounts were paid in 2004-5 year for removal of tractor and off-road tires (not tax levied) to US markets for conversion to fuel. In addition, there has been a larger than normal conversion of tires to crumb for use in land fill sites in addition to the usual processing. Hence, the investment funds have been used up in their entirety. The Province of Manitoba has advanced an additional $300,000 in the 2005-6 year to continue covering the costs of recycling the tires under its current mandate. It appears that additional revenue will be required in future to maintain the program under its current mandate.

NOTE 6 – PROJECTS

Some $75,700 was paid to haul tires (not tax levied) to US recyclers to be converted to fuel.

NOTE 7 – LEASE COMMITMENTS

The Tire Stewardship Board has entered into a lease agreement which expires as scheduled. Minimum annual lease payments are as follows:

Year-end March 31	2006	$ 6,030
	2007	6,030
	2008	1,005